IEC Research: Knowledge, Attitudes and Behaviour towards Money and Debt Management

April 2014

A research report commissioned by the Investor Education Centre and conducted by GfK Hong Kong

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Executive Summary

Money management is key to sound financial planning which helps people achieve their financial goals more effectively.

As a dedicated organisation to cater holistically for the financial education needs of Hong Kong people, the Investor Education Centre (IEC) conducted a research study from October 2013 to January 2014. The study sought to understand Hong Kong people's knowledge, attitudes and behaviour towards various aspects of money management, and to identify the knowledge and capability gaps for improvements.

Overall, the financial position of Hong Kong people was reasonably good with 76% maintaining a surplus and 17% living within their means. The majority of Hong Kong people (82%) had financial goals that they wished to achieve; of which only 42% took actions to realise their goals.

The highlights of the key research findings are outlined below:

- *Income allocation:* On average, Hong Kong people spent 60% of their monthly income on daily necessities and 21% on entertainment and leisure, while reserving the remainder for other needs.

- *Expense control:* About half of Hong Kong people (52%) kept a personal budget to manage their finances and the majority claimed to be rational spenders. However, 13% admitted they often struggled against temptations to spend beyond limits.

- *Savings:* While the majority of Hong Kong people saved regularly or occasionally, 16% did not save at all. Nearly half of Hong Kong people (43%) did not put aside an emergency fund to cater for their unexpected financial needs.

- *Wealth management:* 45% of Hong Kong people had held or traded financial products over the past twelve months. Stocks (74%) and foreign currency deposits including RMB (63%) were the most common financial products held or traded by the investors.

  One-third of investors (33%) expected to have over 20% for their annual investment returns, and yet over half (53%) did not have a stop-loss strategy to limit their potential investment loss, particularly for the female (60%) and lower income group (66%).

- *Attitudes and behaviour towards borrowing:* About one in five Hong Kong people had borrowed money over the past 12 months and among them 19% had failed to repay their debt repayments on time. Excluding mortgage and credit card instalment, credit card minimum payment/partial repayment and credit card overdraft/cash advance were the most common form of borrowing; however a quarter of these borrowers were not aware of the interest rate and fees charged by credit cards. Buying favourite items (28%) and paying for entertainment expenses (17%) were ranked most common reasons for borrowing.

Based on the research findings, the IEC seeks to address the knowledge and capability gaps by enhancing the money management knowledge and capability of Hong Kong people through the provision of comprehensive, credible and impartial financial information, tools and education resources.

Research Background and Objectives

The ability to make ends meet and manage day to day finances is key to sound financial planning. Such skills enable individuals to stay on top of their financial situation, keep track of spending and achieve their financial goals more effectively.

Based on our *Financial Knowledge and Capability in Hong Kong: A Foundation Study* published in June 2013, money management is one of the four overarching themes of the IEC's education work. To further inform the IEC about the education needs in this area, the IEC commissioned GfK Hong Kong to conduct a research study from October 2013 to January 2014 about Hong Kong people's knowledge, attitudes and behaviour towards money and debt management.

The key objectives of this research study include:

1. To understand knowledge, attitudes, and behaviour towards various aspects of money management such as budgeting, spending, savings and investment;

2. To look into attitudes and behavior towards borrowing;

3. To identify knowledge and capability gaps for the IEC's education work.

Research Methodology

The research study consisted of qualitative and quantitative phases covering a total of 1,766 people.

First phase - qualitative approach
Five focus groups were conducted in October 2013 with the following group compositions:

Group 1: Full-time tertiary students;
Group 2: Young working adults aged 23-34 (singles or couples without children);
Group 3: Mature working adults aged 35-49 (singles or couples without children);
Group 4: Families with children below 18 aged 35-49;
Group 5: Pre-retirees or retirees aged 50-65.

Apart from focus group discussions, a total of 10 in-depth interviews with debtors at various levels of indebtedness were conducted from October to November 2013. Among these 10 respondents, five of them had a debt amount between HKD100,000 and HKD200,000 (excluding first mortgage and credit card instalment) over the past 18 months, whilst the remainder had a debt amount between HKD 200,000 and HKD 500,000 over the past 18 months.

Second phase - quantitative approach
A total of 1,716 interviews (1,500 main samples, 216 booster samples of debtors) in the format of a questionnaire were conducted in central locations via street intercept during January 2014.

A two-stage sampling approach was used for quantitative phase. The first stage was conducted among 1,500 members of the general public aged 18-64. Quota on age, gender, residential districts, working status and personal income in accordance with the Hong Kong population census was applied to achieve representativeness.

To ensure a robust sample base for sub-group analysis, booster interviews were also conducted to obtain at least 500 people who had borrowed money over the past 12 months. A total of 284 interviews with money borrowers were conducted in the first stage followed by an additional 216 interviews in the second stage. The data of all money borrowers were weighted down to the main sample, so that findings quoted from this study represented the mass population.

Research Findings

1. Overview

Financial Position

The overall financial position of Hong Kong people was reasonably good.

As shown in Figure 1.1, 76% of Hong Kong people managed to maintain a surplus, while 17% lived within their means and 7% were on deficit.

The incidence of living with deficit was higher (11%) among those with monthly household income below HKD 20,000.

Figure 1.1 – Financial position

- Surplus
- Break-even
- Deficit

Base: 1716

7%
17%
76%
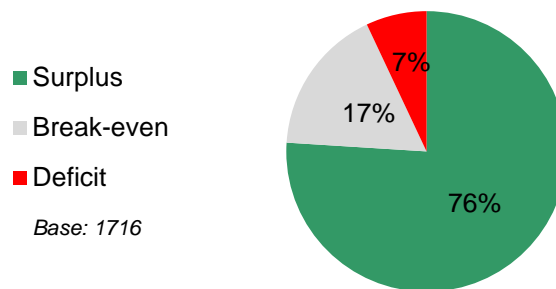
	Surplus	Break-even	Deficit
Male *Base: 815*	75%	17%	8%
Female *Base: 901*	77%	18%	6%
Aged 18-29 *Base: 380*	77%	17%	6%
Aged 30-49 *Base: 809*	79%	15%	6%
Aged 50-64 *Base: 527*	71%⬇	21%	7%
Single *Base: 582*	77%	16%	8%
Married without children *Base: 138*	84%⬆	12%⬇	4%
Married with children *Base: 907*	76%	19%	5%
MHI below HKD 20,000 *Base: 499*	59%⬇	29%⬆	11%⬆
MHI HKD 20,000 – 39,999 *Base: 775*	79%	15%	6%
MHI HKD 40,000 or above *Base: 442*	92%⬆	6%⬇	2%⬇

⬆/⬇ *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
Q: Which of the following best describes your saving practice?
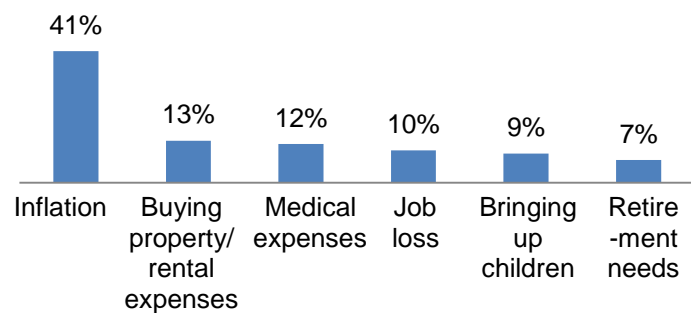
| Financial Concerns | **Inflation was ranked the top financial concern among Hong Kong people.** |

As shown in Figure 1.2, 41% of Hong Kong people considered inflation as their top financial concern. This finding was largely consistent across different demographic subgroups.

Other financial concerns followed some distance behind.

Differences in financial concerns were also seen across different age groups. The younger group (aged 18-29) felt more concerned about buying property and paying rental expenses while the middle-age (aged 30-49) group concerned more on bringing up their children. For the mature group (aged 50 or above), the concerns on medical expenses and retirement needs were more prevalent.

Figure 1.2 – Top financial concern

	Inflation	Buying property/ rental expenses	Medical expenses	Job loss	Bringing up children	Retire-ment needs
Male *Base: 815*	40%	15%	10%	12%	7%	9%
Female *Base: 901*	43%	11%	13%	9%	11%	6%
Aged 18-29 *Base: 380*	46%	19%↑	8%↓	13%	4%↓	2%↓
Aged 30-49 *Base: 809*	37%	15%	11%	9%	16%↑	6%
Aged 50-64 *Base: 527*	45%	6%↓	16%↑	10%	4%↓	14%↑
Single *Base: 582*	44%	19%↑	11%	12%	2%↓	4%↓
Married without children *Base: 138*	43%	15%	14%	8%	7%	11%
Married with children *Base: 907*	40%	9%↓	12%	9%	15%↑	9%
MHI below HKD 20,000 *Base: 499*	42%	9%↓	16%↑	12%	8%	6%
MHI HKD 20,000-39,999 *Base: 775*	43%	14%	10%	11%	9%	5%
MHI HKD 40,000 or above *Base: 442*	38%	15%	10%	5%↓	12%	13%↑

↑/↓ denotes significantly higher/ lower than total at 95% confidence interval
MHI denotes "Monthly Household Income"
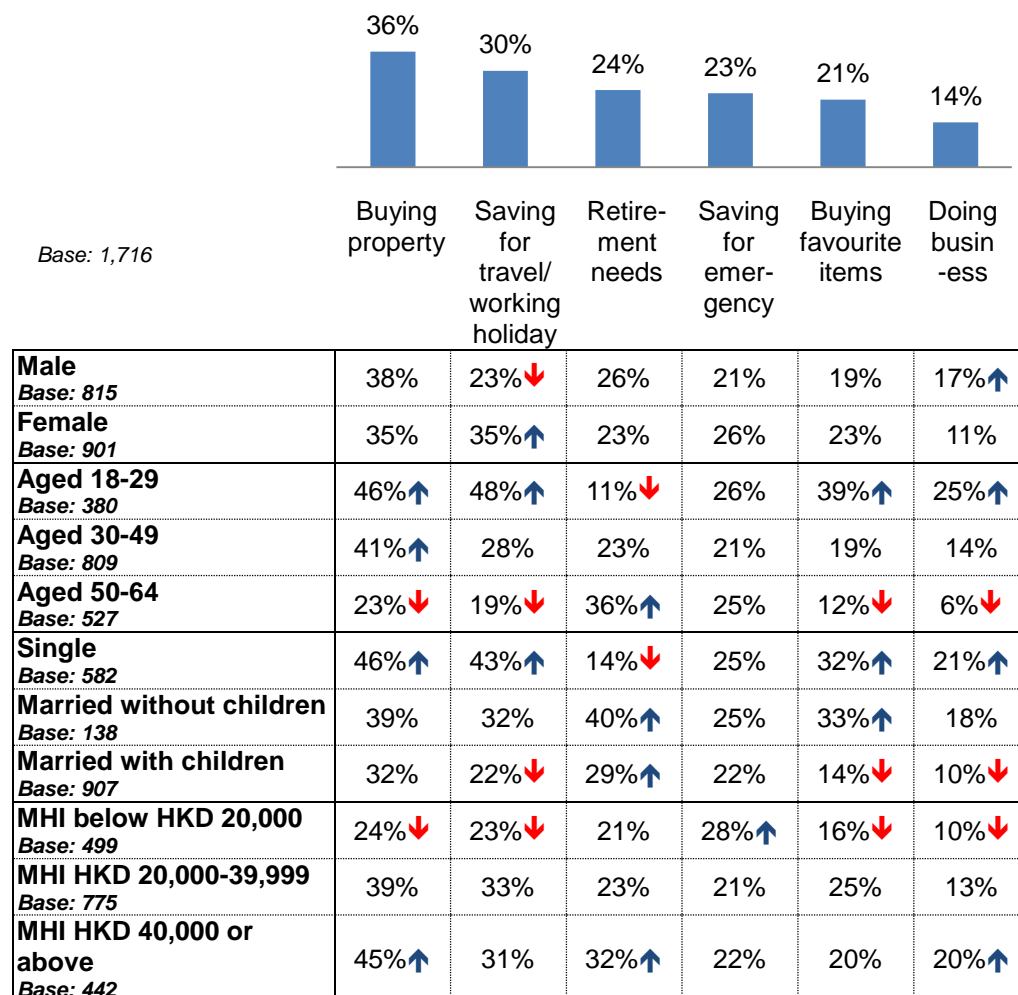*Q: Currently, what is your topmost financial concern?*

Financial Goals

82% had financial goals that they wished to achieve, of which only 42% took actions to realise their goals.

Buying property was the most common financial goal (36%) among Hong Kong people, followed by saving money for travel/ working holiday (30%).

Both the young and middle-age groups were keen on buying properties; whilst saving for travel or working holiday was more common among female and the younger group. In general, the lower income group was less enthusiastic about financial goals, and saving for emergency topped their list.

Figure 1.3 – Financial goals

Base: 1,716

|	Buying property	Saving for travel/ working holiday	Retire-ment needs	Saving for emer-gency	Buying favourite items	Doing busin-ess
Male Base: 815	38%	23%↓	26%	21%	19%	17%↑
Female Base: 901	35%	35%↑	23%	26%	23%	11%
Aged 18-29 Base: 380	46%↑	48%↑	11%↓	26%	39%↑	25%↑
Aged 30-49 Base: 809	41%↑	28%	23%	21%	19%	14%
Aged 50-64 Base: 527	23%↓	19%↓	36%↑	25%	12%↓	6%↓
Single Base: 582	46%↑	43%↑	14%↓	25%	32%↑	21%↑
Married without children Base: 138	39%	32%	40%↑	25%	33%↑	18%
Married with children Base: 907	32%	22%↓	29%↑	22%	14%↓	10%↓
MHI below HKD 20,000 Base: 499	24%↓	23%↓	21%	28%↑	16%↓	10%↓
MHI HKD 20,000-39,999 Base: 775	39%	33%	23%	21%	25%	13%
MHI HKD 40,000 or above Base: 442	45%↑	31%	32%↑	22%	20%	20%↑

↑/↓ *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
Q: What financial goal(s) are you planning to achieve?

Figure 1.4 – Incidence of taking action to achieve financial goals
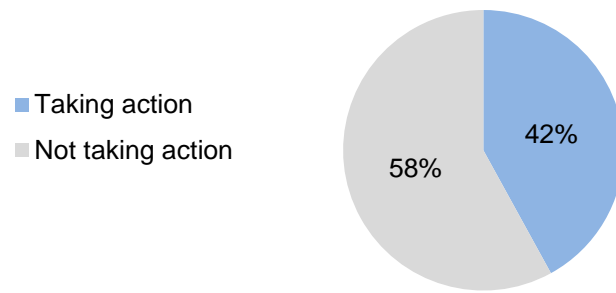
*Base: Those who have at least one financial goal 1,413*

Q: Are you taking any concrete action to realise your financial goal(s)?

Money Management Styles

Five money management styles were identified from cluster analysis based on the psychographics of money management among Hong Kong people. These case studies are also provided in the appendix based on the findings from the qualitative research.

Statistical modelling was used to divide the population of Hong Kong into five segments with different psychographics of money management as shown in Figure 1.5

Figure 1.5 – Five segments with different psychographics of money management

- Money Makers
- Conservative Savers
- Survivors
- Big Spenders
- Happy-go-lucky

Base: 1716
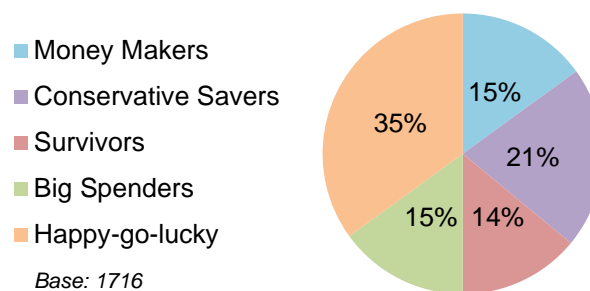
Segment 1 – Money makers

15% of the general public in Hong Kong fell into this group.

This group skewed towards males and the middle-age group of 30-39. They were more likely to be professionals or white collars with tertiary education. They were also more affluent than the other segments with 69% having monthly household income of HKD 30,000 or above.

In general, they had good money management knowledge and practices, and were determined to grow their wealth through investments.

They had clear goals that they wanted to achieve, which provided them with motivation to maintain good habits in savings, investment and expense control.

Occasionally, they used credit products to meet urgent needs but they kept such credit exposure well under control.

Overall, they were the most optimistic towards their long-term financial well-being among all segments.

Segment 2 – Conservative savers

21% of the general public in Hong Kong fell into this group.

This group skewed towards the middle-age or above and those with medium income with 62% having monthly household income of HKD 30,000 or above. They were also more likely to be female.

They believed in securing their future through thrifty spending and regular savings.

They were rational in spending and were conservative investors who were not easily influenced by market sentiments.

They tended to avoid borrowing where possible and seldom experienced financial difficulties.

A larger proportion of them had dependents relying upon their financial support than other segments which might explain their cautious attitudes towards money management.

Segment 3 – Survivors

14% of the general public in Hong Kong fell into this group.

This group contained the highest proportion of the mature-age with 48% aged 50 or above. They were more likely to be housewives with lower education and lower income with 55% having monthly household income less than HKD 20,000.

Their meagre family income barely covered the everyday financial commitments. They did not have much money left to save though they understood saving is important.

They tried to keep their financial position under control by watching their spending; however they were not good at it.

They focused on surviving today rather than planning for tomorrow. They might resort to financial assistance from their family members if they ran into difficulties.

Segment 4 – Big spenders

15% of the general public in Hong Kong fell into this group.

They spread across different age groups. They were more likely to be male, blue collars and with lower income (44% had monthly household income less than HKD 20,000).

They were aware of their low level of financial knowledge and their inabilities in managing expenses.

They had no savings and did not care much about savings.

They had great difficulties in controlling impulsive shopping desires and were the most prone to experience financial difficulties given their improper money management attitudes.

Segment 5 – Happy-go-lucky

35% of the general public in Hong Kong fell into this group.

This group was slightly younger with 28% aged below 30. They were more likely coming from the medium income group (51% have monthly household income between HKD20,000 to 40,000).

They generally lacked clear life goals and were subject to influences from peer groups and hedonistic temptations.

They tended to have less family responsibilities and they managed to put aside some savings. However, they were not good at accumulating wealth via investment and maintaining a stable financial position.
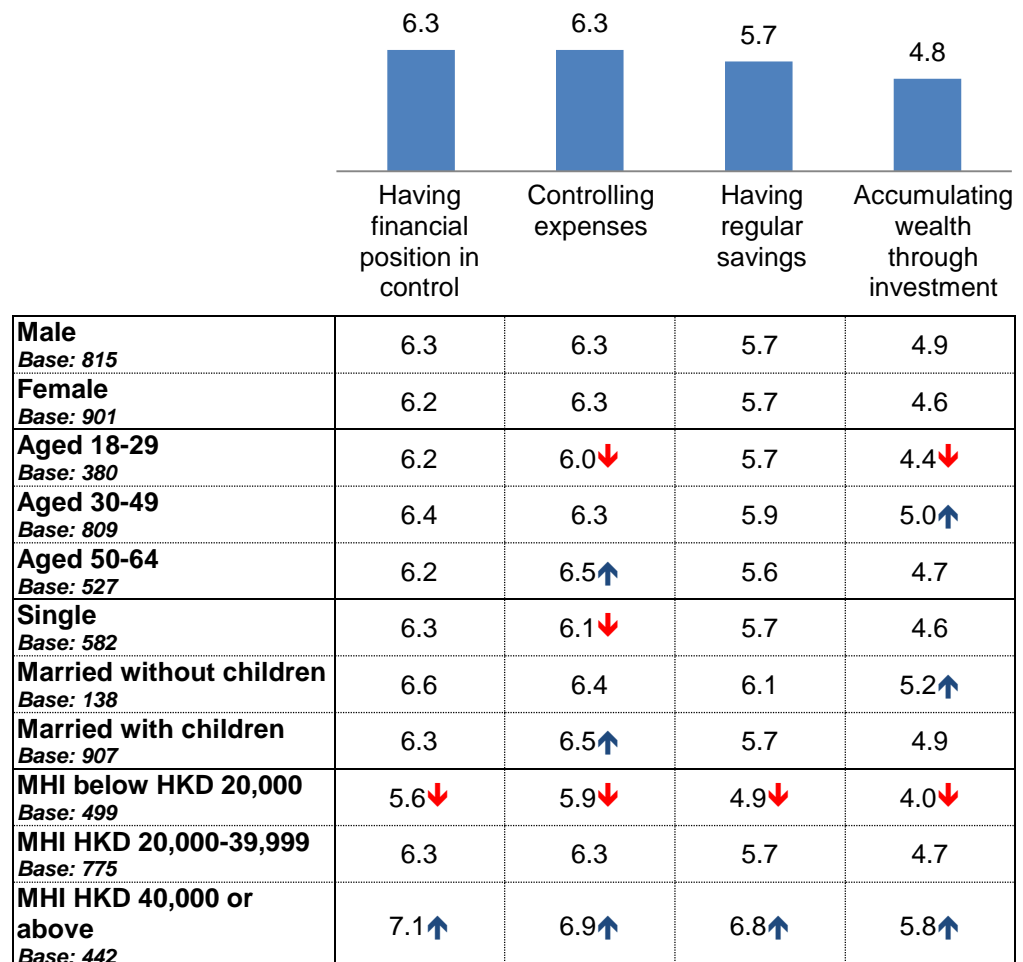
Self-rating on Money Management Capability

When asked to rate their abilities to manage their personal finance, Hong Kong people tended to be modest.

On a 10-point rating scale, where "10" means very satisfied and "1" means very dissatisfied, Hong Kong people rated themselves an average of 6.3 on having their financial condition in control, an average of 6.3 on expense control, an average of 5.7 on having regular savings and an average of 4.8 on accumulating wealth through investment.

Perhaps not surprisingly, the affluent group had a higher self-rating in all four areas. On the contrary, the lower income group saw lower self-ratings across all aspects.

Figure 1.6 – Self-rating of various money management aspects

	Having financial position in control	Controlling expenses	Having regular savings	Accumulating wealth through investment
Male *Base: 815*	6.3	6.3	5.7	4.9
Female *Base: 901*	6.2	6.3	5.7	4.6
Aged 18-29 *Base: 380*	6.2	6.0⬇	5.7	4.4⬇
Aged 30-49 *Base: 809*	6.4	6.3	5.9	5.0⬆
Aged 50-64 *Base: 527*	6.2	6.5⬆	5.6	4.7
Single *Base: 582*	6.3	6.1⬇	5.7	4.6
Married without children *Base: 138*	6.6	6.4	6.1	5.2⬆
Married with children *Base: 907*	6.3	6.5⬆	5.7	4.9
MHI below HKD 20,000 *Base: 499*	5.6⬇	5.9⬇	4.9⬇	4.0⬇
MHI HKD 20,000-39,999 *Base: 775*	6.3	6.3	5.7	4.7
MHI HKD 40,000 or above *Base: 442*	7.1⬆	6.9⬆	6.8⬆	5.8⬆

⬆/⬇ denotes significantly higher/ lower than total at 95% confidence interval
MHI denotes "Monthly Household Income"
Q: To what extent are you satisfied with yourself in the following: Having financial condition in control/ controlling expenses/ having regular savings/ accumulating wealth through investment? "10" means "very satisfied", whereas"1" means "not satisfied at all".

2. Day-to-day Money Management

Income Allocation

On average, 60% of monthly income was spent on daily necessities, 21% on entertainment/leisure expenses and the remainder for other needs eg savings.

Figure 2.1 showed that the younger group (aged 18-29) spent a bigger proportion of their income on entertainment/ leisure expenses; whilst the mature group (aged 50-64) on daily necessities. The proportion of surplus/savings rose with the level of affluence.

Figure 2.1 – Income allocation

Base: 1716
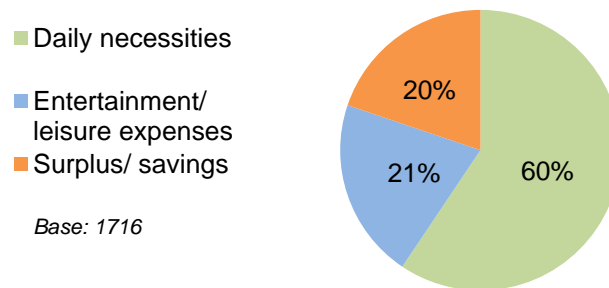
	Daily necessities	Entertainment/ leisure expenses	Surplus/ savings
Male *Base: 815*	60%	21%	20%
Female *Base: 901*	60%	21%	20%
Aged 18-29 *Base: 380*	52%⬇	27%⬆	22%
Aged 30-49 *Base: 809*	60%	20%⬇	21%
Aged 50-64 *Base: 527*	65%⬆	19%⬇	17%⬇
Single *Base: 582*	52%⬇	27%⬆	22%⬆
Married without children *Base: 138*	57%	21%	22%
Married with children *Base: 907*	64%⬆	18%⬇	19%
MHI below HKD 20,000 *Base: 499*	67%⬆	20%	14%⬇
MHI HKD 20,000 – 39,999 *Base: 775*	60%	22%	19%
MHI HKD 40,000 or above *Base: 442*	50%⬇	21%	29%⬆

⬆/⬇ denotes significantly higher/ lower than total at 95% confidence interval
MHI denotes "Monthly Household Income"
*Q: In general, how do you allocate your monthly income?*

Budgeting **About half of Hong Kong people did not have a personal budget to allocate income and expenses.**

As shown in Figure 2.2, 48% did not have a personal budget. And the lower income group was less likely to do budgeting.
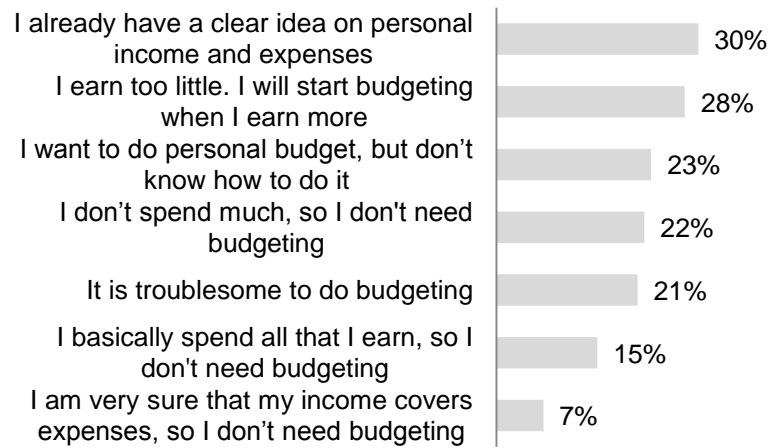
Figure 2.2 – Incidence of having a personal budget

■ Have a personal budget

■ Do not have a personal budget

Base: 1716
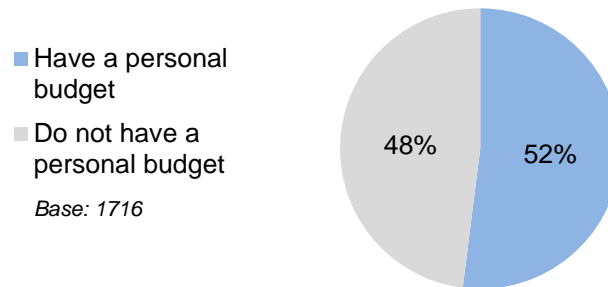
48% 52%

	Have a personal budget	Do not have a personal budget
Male *Base: 815*	51%	49%
Female *Base: 901*	53%	47%
Aged 18-29 *Base: 380*	48%	52%
Aged 30-49 *Base: 809*	57%⬆	43%⬇
Aged 50-64 *Base: 527*	48%	52%
Single *Base: 582*	49%	51%
Married without children *Base: 138*	65%⬆	35%⬇
Married with children *Base: 907*	53%	47%
MHI below HKD 20,000 *Base: 499*	39%⬇	61%⬆
MHI HKD 20,000 – 39,999 *Base: 775*	52%	48%
MHI HKD 40,000 or above *Base: 442*	68%⬆	32%⬇

⬆/⬇ denotes significantly higher/ lower than total at 95% confidence interval
MHI denotes "Monthly Household Income"
Q: Do you have a personal budget to allocate income and expenses?

Those who did not have a personal budget mostly did not see the need for budgeting for a number of reasons. About a quarter said they wanted to do budgeting but did not know how.

Figure 2.3 – Reasons for not having a personal budget

Reason	Percentage
I already have a clear idea on personal income and expenses	30%
I earn too little. I will start budgeting when I earn more	28%
I want to do personal budget, but don't know how to do it	23%
I don't spend much, so I don't need budgeting	22%
It is troublesome to do budgeting	21%
I basically spend all that I earn, so I don't need budgeting	15%
I am very sure that my income covers expenses, so I don't need budgeting	7%

Base: those who do not have a personal budget 819
*Q: Why don't you have a personal budget?*

Saving Habits

45% saved every month, but 16% did not save at all.

As shown in Figure 2.4, 45% saved money every month, 28% saved occasionally or when they had surplus, 11% only saved when they had specific needs and 16% simply did not save.

The incidence of saving money every month increased with affluence level. The incidence reached 70% among those with monthly household income of HKD 40,000 or above, comparing to 29% among those with monthly household income below HKD 20,000.

*Figure 2.4 – Incidence of saving money*
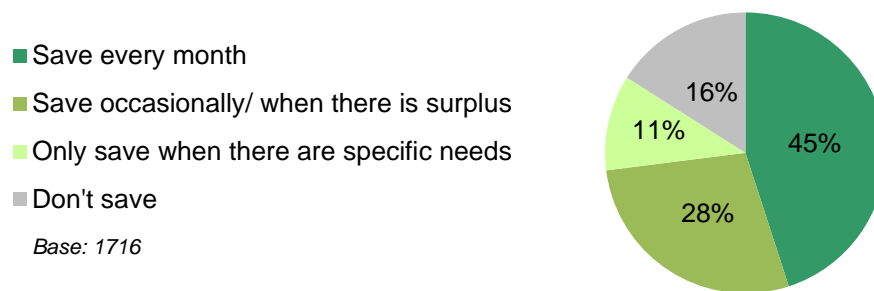
- Save every month
- Save occasionally/ when there is surplus
- Only save when there are specific needs
- Don't save

Base: 1716

	Save every month	Save occasionally/ when there is surplus	Only save when there are specific needs	Don't save
Male *Base: 815*	45%	26%	12%	17%
Female *Base: 901*	45%	30%	11%	14%
Aged 18-29 *Base: 380*	48%	28%	14%	11%↓
Aged 30-49 *Base: 809*	49%	27%	11%	14%
Aged 50-64 *Base: 527*	37%↓	31%	11%	22%↑
Single *Base: 582*	48%	26%	13%	13%
Married without children *Base: 138*	50%	29%	12%	9%↓
Married with children *Base: 907*	44%	30%	10%	16%
MHI below HKD 20,000 *Base: 499*	29%↓	28%	14%	30%↑
MHI HKD 20,000 – 39,999 *Base: 775*	42%	33%↑	12%	13%
MHI HKD 40,000 or above *Base: 442*	70%↑	20%↓	7%↓	3%↓

↑/↓ denotes significantly higher/ lower than total at 95% confidence interval
MHI denotes "Monthly Household Income"
Q: Which of the following best describes your saving practice?

Preparing for Emergency

43% did not put aside emergency funds to cater for their unexpected financial needs.

Figure 2.5 – Incidence of having put aside emergency fund

- Do not put aside emergency fund
- Have put aside emergency fund

Base: 1716

43%
57%
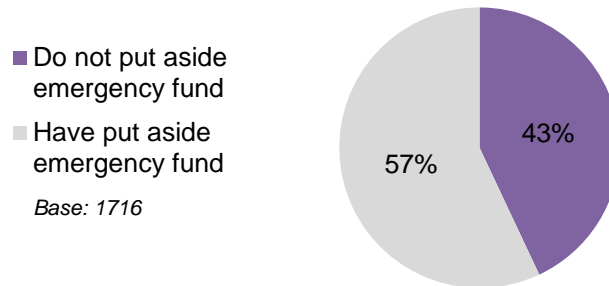
	Have put aside emergency fund	Do not put aside emergency fund
Male *Base: 815*	59%	41%
Female *Base: 901*	56%	44%
Aged 18-29 *Base: 380*	44%🔽	56%🔼
Aged 30-49 *Base: 809*	63%🔼	37%🔽
Aged 50-64 *Base: 527*	58%	42%
Single *Base: 582*	51%🔽	49%🔼
Married without children *Base: 138*	64%	36%
Married with children *Base: 907*	61%	39%
MHI below HKD 20,000 *Base: 499*	46%🔽	54%🔼
MHI HKD 20,000 – 39,999 *Base: 775*	55%	45%
MHI HKD 40,000 or above *Base: 442*	74%🔼	26%🔽

🔼/🔽 *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
Q: Do you set aside some money for urgent needs eg illness or job loss?

Figure 2.6 – Size of emergency fund (equivalence to months of living expenses)

18% 30% 5% 43% 4%

1-3 months 4-6 months 7-11 months 1-3 years More than 3 years
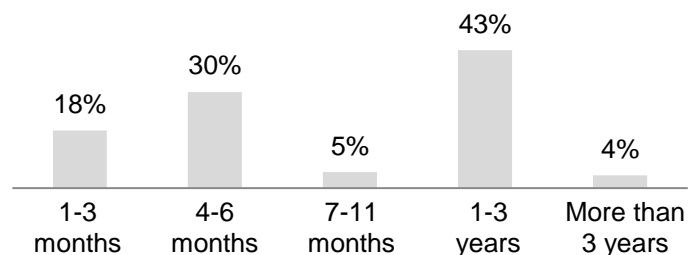
Base: those who have put aside emergency fund 968
Q: How many months of living expenses is this emergency fund equivalent to?
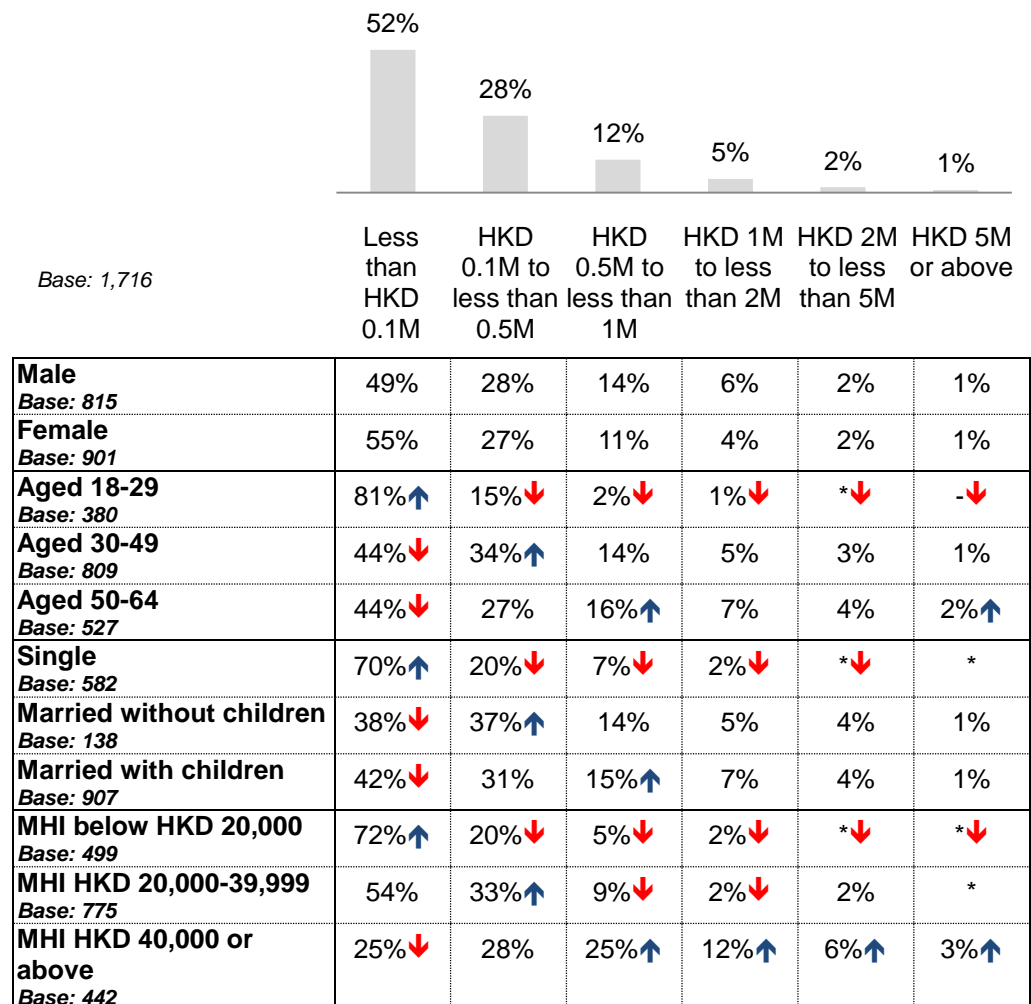
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3. Wealth Management

Liquid Assets Owned

About half of Hong Kong people had liquid assets that were worth less than HKD 100,000.

52% of Hong Kong people had liquid assets that were worth less than HKD 100,000 and 40% had liquid assets that were worth between HKD 500,000 and HKD 1,000,000. There were only 8% of Hong Kong people who had liquid assets that were worth HKD 1,000,000 or above. Those who were younger and had lower income had lower amount of liquid assets.

Figure 3.2 – Amount of liquid assets

Base: 1,716

	Less than HKD 0.1M	HKD 0.1M to less than 0.5M	HKD 0.5M to less than 1M	HKD 1M to less than 2M	HKD 2M to less than 5M	HKD 5M or above
Male Base: 815	49%	28%	14%	6%	2%	1%
Female Base: 901	55%	27%	11%	4%	2%	1%
Aged 18-29 Base: 380	81%↑	15%↓	2%↓	1%↓	*↓	-↓
Aged 30-49 Base: 809	44%↓	34%↑	14%	5%	3%	1%
Aged 50-64 Base: 527	44%↓	27%	16%↑	7%	4%	2%↑
Single Base: 582	70%↑	20%↓	7%↓	2%↓	*↓	*
Married without children Base: 138	38%↓	37%↑	14%	5%	4%	1%
Married with children Base: 907	42%↓	31%	15%↑	7%	4%	1%
MHI below HKD 20,000 Base: 499	72%↑	20%↓	5%↓	2%↓	*↓	*↓
MHI HKD 20,000-39,999 Base: 775	54%	33%↑	9%↓	2%↓	2%	*
MHI HKD 40,000 or above Base: 442	25%↓	28%	25%↑	12%↑	6%↑	3%↑

↑/↓ *denotes significantly higher/ lower than total at 95% confidence interval*
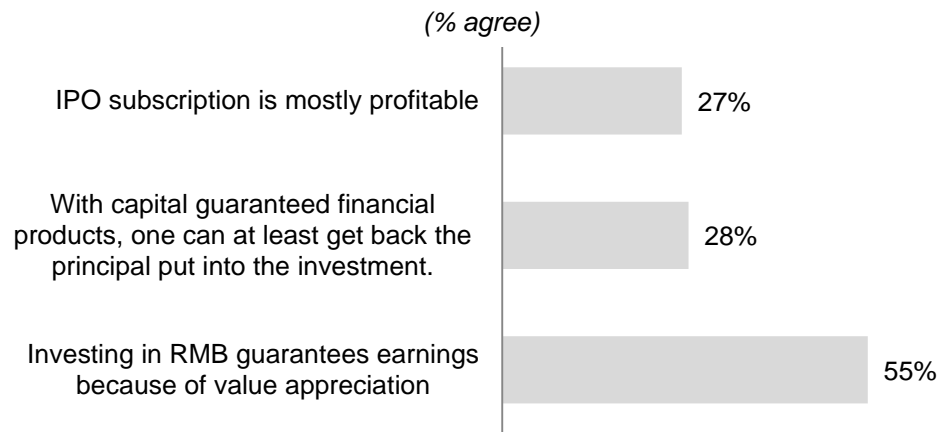*MHI denotes "Monthly Household Income"*
* denotes less than 0.5%
Q: How much liquid asset do you have? Please include all cash, current deposits, investments but exclude properties.

Investment Knowledge

Some Hong Kong people had misconceptions or misunderstanding about fundamentals of financial products.

27% thought that IPO subscription was mostly profitable and 55% considered that investing in RMB guaranteed value appreciation.
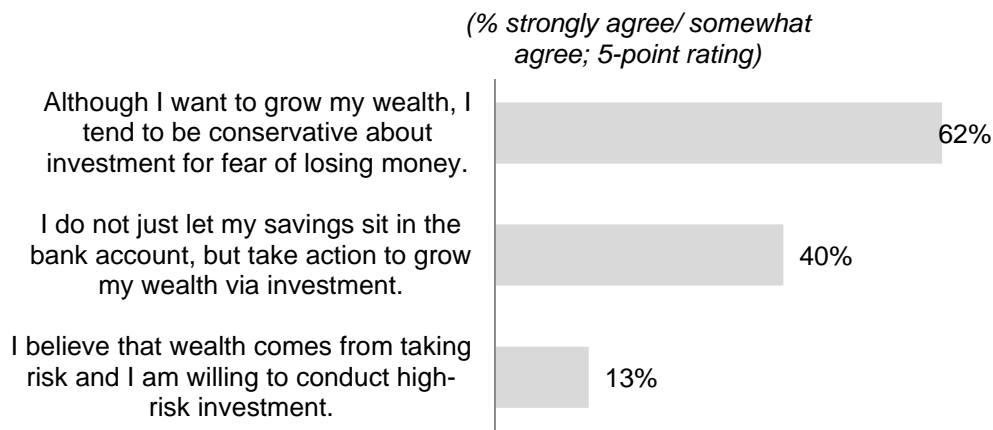
Figure 3.1 – Understanding of financial products

(% agree)

IPO subscription is mostly profitable	27%
With capital guaranteed financial products, one can at least get back the principal put into the investment.	28%
Investing in RMB guarantees earnings because of value appreciation	55%

Base: all respondents 1,716
Q: Do you agree or disagree with the following?

Attitudes towards Investment

Majority of Hong Kong people tended to be conservative about growing their wealth through investment.

Figure 3.3 – Attitudes towards investment

(% strongly agree/ somewhat agree; 5-point rating)

Although I want to grow my wealth, I tend to be conservative about investment for fear of losing money.	62%
I do not just let my savings sit in the bank account, but take action to grow my wealth via investment.	40%
I believe that wealth comes from taking risk and I am willing to conduct high-risk investment.	13%

Base: all respondents 1716
Q: To what extent do you agree using each of the following statements to describe yourself?

Incidence of Investing

45% had held or traded any financial products over the past 12 months. Stocks and foreign currency deposits were the most common vehicles that were used by the investors.

As shown in Figure 3.4, there was no significant difference between male and female in terms of participating in investment. The incidence of investing was higher among the middle age group (aged 30-49) and the more affluent groups.

*Figure 3.4 – Incidence of investing in financial products over the past 12 months*

■ Have not invested in the past 12 months

■ Have invested in the past 12 months

Base: 1716

45%   55%
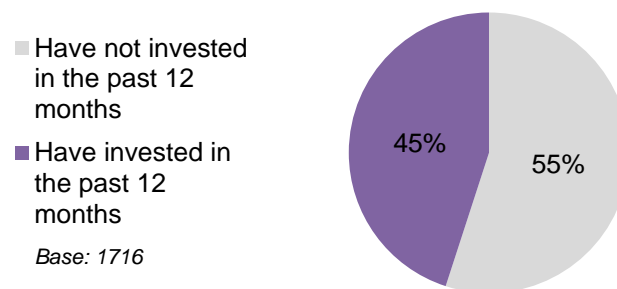
	Have invested over the past 12 months	Have not invested over the past 12 months
Male *Base: 815*	49%	51%
Female *Base: 901*	42%	58%
Aged 18-29 *Base: 380*	29%↓	71%↑
Aged 30-49 *Base: 809*	50%↑	50%↓
Aged 50-64 *Base: 527*	49%	51%
Single *Base: 582*	36%↓	64%↑
Married without children *Base: 138*	56%↑	44%↓
Married with children *Base: 907*	51%↑	49%↓
MHI < HKD 20,000 *Base: 499*	27%↓	73%↑
MHI HKD 20,000-39,999 *Base: 775*	41%	59%
MHI HKD 40,000 or above *Base: 442*	73%↑	27%↓

↑/↓ *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
Q: Have you held or traded any financial products over the past 12 months?

Figure 3.5 – Types of financial products invested in
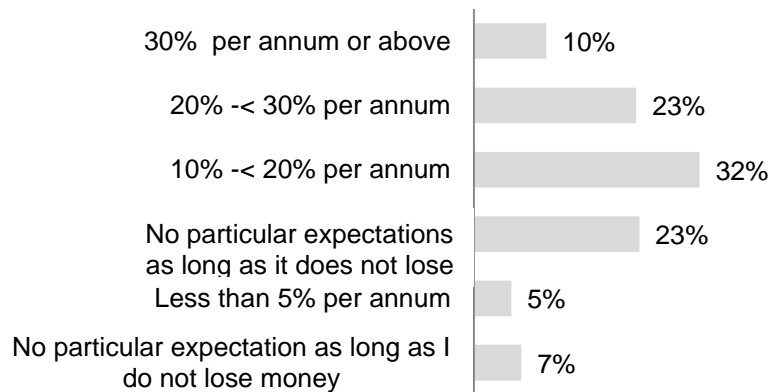(among the past-12-month investors)
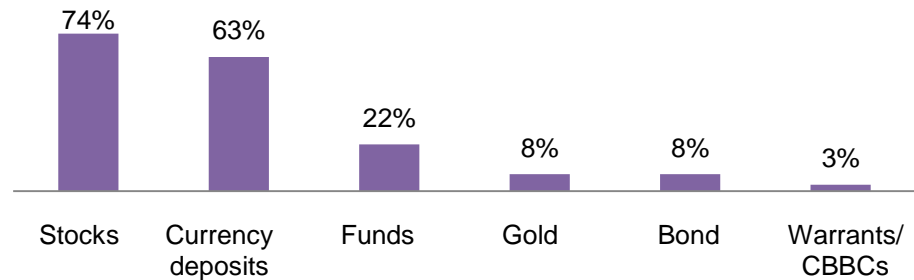
Base: those who have invested in financial products over the past 12 months 781
Q: Have you held or traded any financial products over the past 12 months?

Expected Return from Investment

One-third of investors (33%) expected to have over 20% for their annual investment returns.

Figure 3.6 – Expected annual return from investment
(among the past-12-month investors)

Base: those who have invested in financial products over the past 12 months 781
Q: Which of the following range best describes your expected return from investment?

Stop-loss Strategy

More than half of the investors did not exercise stop-loss strategy for their investments.

The incidence of not having a stop-loss strategy was higher among female and the lower income group (those with monthly household income below HKD 20,000).

Figure 3.7 – Incidence of having a stop-loss strategy
(among past-12-months investors)

■ Do not have a stop-loss strategy

■ Have a stop-loss strategy

Base: past-12-month investors 781

47%   53%
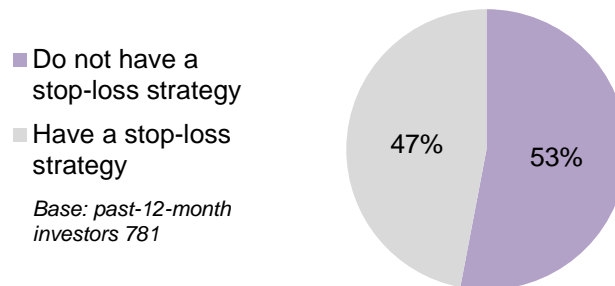
	Have a stop-loss strategy	Do not have a stop-loss strategy
Male *Base: 402*	54%↑	46%↓
Female *Base: 379*	40%↓	60%↑
Aged 18-29 *Base: 109*	38%	62%
Aged 30-49 *Base: 414*	50%	50%
Aged 50-64 *Base: 258*	46%	54%
Single *Base: 209*	46%	54%
Married without children *Base: 80*	58%↑	42%↓
Married with children *Base: 464*	46%	54%
MHI < HKD 20,000 *Base: 134*	34%↓	66%↑
MHI HKD 20,000-39,999 *Base: 321*	43%	57%
MHI HKD 40,000 or above *Base: 326*	57%↑	43%↓

↑/↓ *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
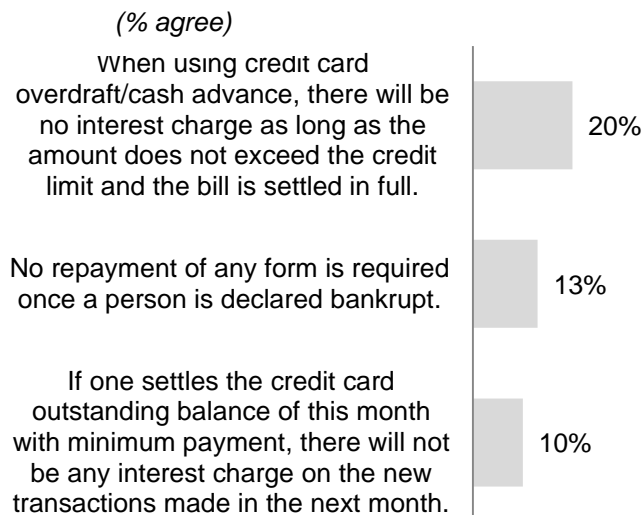*Q: Do you have a stop-loss strategy for investment?*

4. Debt Management

Knowledge of credit products

Some Hong Kong people had misconceptions about credit product usage and the potential consequences.

One fifth of Hong Kong people were not aware that there was no interest-free repayment period for credit card overdraft / cash advance. Meanwhile, 10% did not know using minimum payment to settle credit card bills meant that all new transactions would not be entitled to interest-free repayment period.

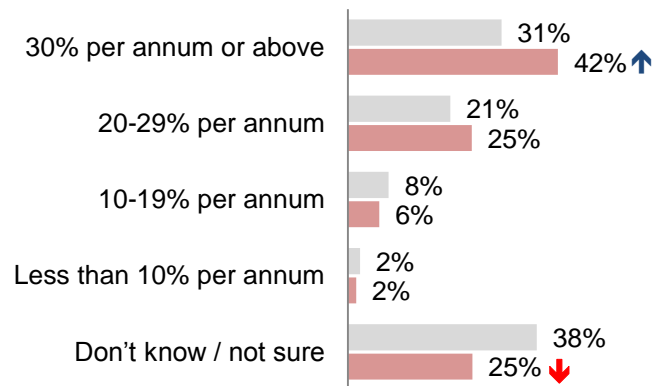*Figure 4.1 –Knowledge of credit product usage and bankruptcy*

(% agree)

When using credit card overdraft/cash advance, there will be no interest charge as long as the amount does not exceed the credit limit and the bill is settled in full.	20%
No repayment of any form is required once a person is declared bankrupt.	13%
If one settles the credit card outstanding balance of this month with minimum payment, there will not be any interest charge on the new transactions made in the next month.	10%

Base: all respondents 1716
Q: Do you agree or disagree with the following?

As shown in Figure 4.2, nearly 40% of Hong Kong people did not have any idea about the interest rate and fees charged by credit cards.

Those who had borrowed money over the past 12 months saw higher awareness of the credit card charges. Still, a quarter of them were not sure about the charges.

Figure 4.2 – Awareness of credit card interest rate and fees

■ Findings among general public (Base: 1716)
■ Findings among those who have borrowed money over the past 12 months (Base 500)

	General public	Borrowed money
30% per annum or above	31%	42% ↑
20-29% per annum	21%	25%
10-19% per annum	8%	6%
Less than 10% per annum	2%	2%
Don't know / not sure	38%	25% ↓

↑/↓ denotes significantly higher/ lower than total at 95% confidence interval
*MHI denotes "Monthly Household Income"*
Q: Do you know at what rate you will be charged if you do not settle your credit card payment in full?

Attitudes towards Borrowing Money

In general, Hong Kong people at large claimed that they spent in a rational way and tended not to take loan to satisfy their financial needs.

As shown in Figure 4.3, over 70% of Hong Kong people claimed that they spent rationally and were clear about their financial condition. However, it was worth noting that slightly over 10% admitted they had difficulties in resisting temptations to shop and they did not mind taking loan to satisfy their imminent needs.

Figure 4.3 – Attitudes towards spending and loans
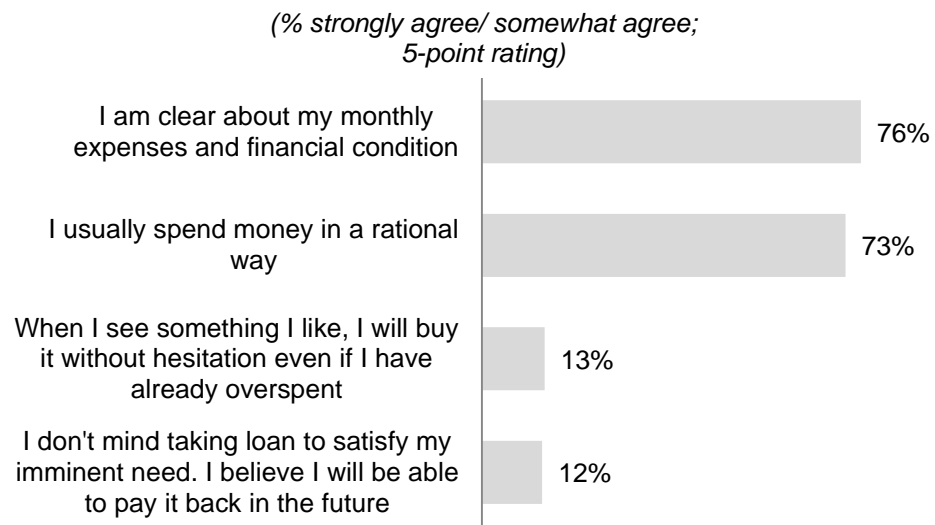
*(% strongly agree/ somewhat agree; 5-point rating)*

Base: all respondents 1716
Q: To what extent do you agree using each of the following statements to describe yourself?

Incidence of Borrowing Money over the Past 12 Months

Every one in five Hong Kong people had borrowed money over the past 12 months (excluding mortgage and credit card instalment).

The incidence was higher among males and those aged 30-49. On the contrary, the incidence of borrowing money was lower among females and those who were aged 50-64.

Figure 4.4 – Incidence of borrowing money in the past 12 months

■ Have borrowed money in the past 12 months

■ Have not borrowed money in the past 12 months

Base: 1716
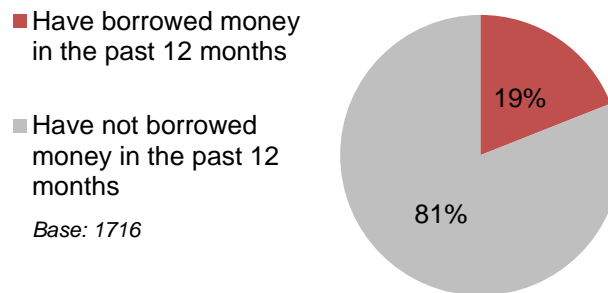
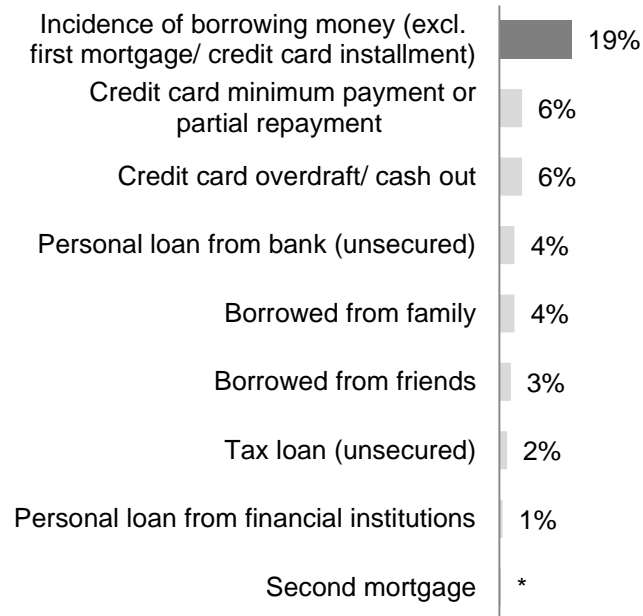|	Had borrowed money over the past 12 months	Had not borrowed money over the past 12 months
Male *Base: 815*	25%↑	75%↓
Female *Base: 901*	14%↓	86%↑
Aged 18-29 *Base: 380*	15%	85%
Aged 30-49 *Base: 809*	24%↑	76%↓
Aged 50-64 *Base: 527*	14%↓	86%↑
Single *Base: 582*	21%	79%
Married without children *Base: 138*	25%	75%
Married with children *Base: 907*	17%	83%
MHI < HKD 20,000 *Base: 499*	16%	84%
MHI HKD 20,000-39,999 *Base: 775*	20%	80%
MHI HKD 40,000 or above *Base: 442*	21%	79%

↑/↓ *denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
Q: Have you had borrowed money over the past 12 months?

Survey findings also suggested that credit card minimum payment / partial payment and credit card overdraft / cash out were the most common form of borrowing. (Figure 4.5)

Figure 4.5 – Incidence of borrowing money

Category	Value
Incidence of borrowing money (excl. first mortgage/ credit card installment)	19%
Credit card minimum payment or partial repayment	6%
Credit card overdraft/ cash out	6%
Personal loan from bank (unsecured)	4%
Borrowed from family	4%
Borrowed from friends	3%
Tax loan (unsecured)	2%
Personal loan from financial institutions	1%
Second mortgage	*

Base: all respondents 1716
* denotes <0.5%
Q: Have you had any of the following types of borrowing over the past 12 months?

Figure 4.5 – Incidence of borrowing money (Continue)

	Credit card minimum payment	Credit card overdraft / cash out	Personal loan from bank	Borrowed from family	Borrowed from friends	Tax loan
Male *Base: 815*	8%	8%↑	6%↑	4%	4%	3%
Female *Base: 901*	5%	4%	2%	3%	3%	1%
Aged 18-29 *Base: 380*	5%	5%	2%↓	4%	3%	1%↓
Aged 30-49 *Base: 809*	8%	8%	6%	4%	4%	3%
Aged 50-64 *Base: 527*	4%↓	4%↓	3%	3%	3%	2%
Single *Base: 582*	8%	8%	4%	4%	4%	1%
Married without children *Base: 138*	9%	6%	4%	4%	3%	5%
Married with children *Base: 907*	5%	5%	4%	3%	3%	2%
MHI below HKD 20,000 *Base: 499*	4%	5%	2%	5%	5%	*↓
MHI HKD 20,000-39,999 *Base: 775*	7%	7%	4%	4%	3%	1%
MHI HKD 40,000 or above *Base: 442*	7%	5%	5%	3%	2%	6%↑

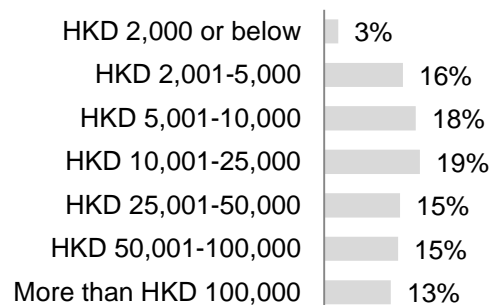*↑/↓ denotes significantly higher/ lower than total at 95% confidence interval*
MHI denotes "Monthly Household Income"
* denotes less than 0.5%
Q: Have you had any of the following types of borrowing over the past 12 months?

Size of Loan **28% of money borrowers had borrowed more than HKD 50,000 over the past 12 months, and over a quarter admitted the loan size had increased compared to two years ago.**
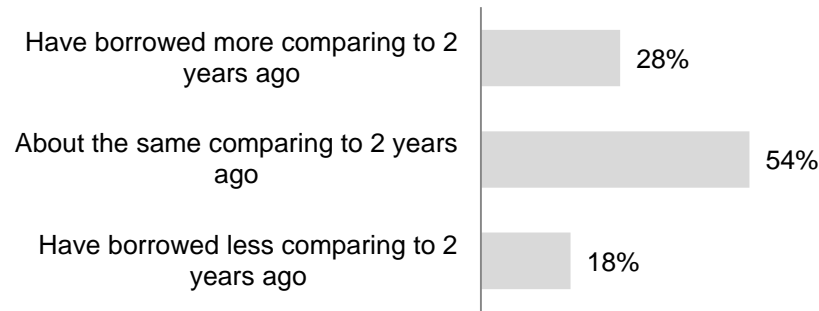
Figure 4.6 – Amount of loan taken over the past 12 months

HKD 2,000 or below	3%
HKD 2,001-5,000	16%
HKD 5,001-10,000	18%
HKD 10,001-25,000	19%
HKD 25,001-50,000	15%
HKD 50,001-100,000	15%
More than HKD 100,000	13%

Base: those who have borrowed money over the past 12 months 500
Q: What is the total amount you have borrowed through different means over the past 12 months?
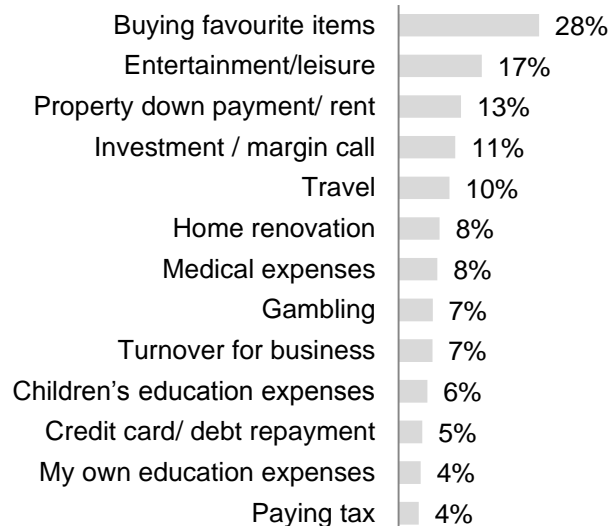
Figure 4.7 – Size of loan compared to 2 years ago

Have borrowed more comparing to 2 years ago	28%
About the same comparing to 2 years ago	54%
Have borrowed less comparing to 2 years ago	18%

Base: those who have borrowed money in the past 12 months 500
Q: Have you borrowed more or less comparing to 2 years ago?

Reasons for Borrowing

Buying favourite items and paying for entertainment/leisure expenses were the most common reasons for borrowing money.

Survey findings showed that buying favourite items was the most common reason for borrowing money (28%), followed by entertainment and leisure expenses (17%). (Figure 4.8)

Figure 4.8 – Reasons for borrowing

Buying favourite items	28%
Entertainment/leisure	17%
Property down payment/ rent	13%
Investment / margin call	11%
Travel	10%
Home renovation	8%
Medical expenses	8%
Gambling	7%
Turnover for business	7%
Children's education expenses	6%
Credit card/ debt repayment	5%
My own education expenses	4%
Paying tax	4%

Base: those who have borrowed money in the past 12 months 500
Q: Thinking about the money you have borrowed over the past 12 months, what did you borrow money for?
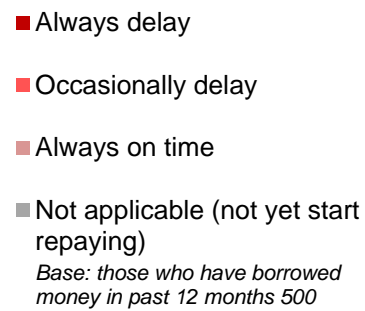
Debt Payment Management

19% of borrowers did not manage to make debt repayments on time.

As shown in Figure 4.9, 79% of borrowers managed to repay debts on time, whilst 19% of borrowers had delayed debt repayments.

Figure 4.9 – Debt repayments

- Always delay
- Occasionally delay
- Always on time
- Not applicable (not yet start repaying)

Base: those who have borrowed money in past 12 months 500

3%
1%
18%
79%

Conclusions and Recommendations

The research study showed that Hong Kong people as a whole were reasonably capable of managing their personal finance and the majority were able to live with a surplus.

Meanwhile, it has identified a number of knowledge and capability gaps towards various aspects of money management among Hong Kong people which the IEC will seek to enhance the education work. The gaps for improvement included the following:

- **More commitment to setting financial goals:** Setting clear and realistic financial goals provide motivation for regular savings. Although the majority claimed to have financial goals in mind, less than half of them were taking concrete actions to realise their financial goals. Guidance and support can be made to help Hong Kong people set financial goals as well as make commitment to their goals.

- **More discipline on budgeting and savings:** Regular saving practice was not yet in place as only 45% of Hong Kong people were committed to putting aside savings every month. More importantly, the need for preparing an emergency fund has not been taken into account. Conducting a personal budget is a good way to improving financial discipline.

- **More understanding on financial products and risk management**: The study revealed that some Hong Kong people have misconception about financial products. Moreover, a third of investors tended to have high expectations on investment returns and stop-loss strategy was not commonly adopted. Guidance on responsible investing and how to build investments that commensurate with risk tolerance are needed.

- **More understanding on responsible borrowing and credit product usage**: While credit products can be useful to help achieve one's financial goals, they should be used wisely and carefully as excessive borrowing and poor debt management can lead to bankruptcy.

The research showed that some Hong Kong people borrowed primarily to satisfy their "wants" rather than their "needs" and that a quarter of Hong Kong people had misunderstanding about the charges and fees of credit cards. Education on responsible borrowing and smart use of credit products is needed to correct misconception and misunderstanding.

As a dedicated organisation to cater holistically for the financial education needs of Hong Kong people, the IEC will continue to develop diverse and holistic education programmes, tools and resources to help raise the overall financial knowledge and capabilities of Hong Kong people. Education work covers the following areas:

- **promote wise and rational spending;**

- **promote responsible borrowing and proper use of credit products**, for example assessing needs for borrowing, understanding details of various credit products and associated costs, managing debts effectively, etc;

- **encourage the setting up of personal budget, savings goals and plan as well as holistic personal financial planning;**

- **enhance understanding on financial products** including investment objective, plan, return and risks, and correct misconceptions and misunderstanding on investment and risk management

Appendix

Respondents profile

	Total	Past-12-months money borrowers	Past-12-months non-money borrowers
Gender			
Male	45%	59%↑	42%
Female	55%	41%↓	58%
Age			
18-24	12%	8%↓	13%
25-29	10%	10%	10%
30-34	11%	15%	10%
35-39	11%	11%	11%
40-44	12%	17%↑	10%
45-49	12%	15%	11%
50-54	13%	14%	13%
55-59	11%	6%↓	12%
60-64	8%	3%↓	10%
Mean (years old)	*41.4*	*40.6*	*41.6*
Residential districts			
Hong Kong Islands	17%	19%	16%
Kowloon	30%	26%	31%
New Territories/Outlying Islands	53%	55%	53%
Occupations			
Working	*71%*	*87%*↑	*67%*
Professional/entrepreneur/self-employed	7%	10%↑	6%
White collar	24%	28%	23%
Blue collar	40%	50%↑	38%
Non-working	*29%*	*13%*↓	*33%*
Students	6%	2%↓	7%
Home-makers	16%	7%↓	18%
Retired	5%	2%↓	5%
Unemployed	3%	2%	3%
Monthly personal income *(among those who are working^)*			
Below HKD 10,000	37%	33%	38%
HKD 10,000 – 19,999	34%	32%	35%
HKD 20,000 – 29,999	13%	13%	13%
HKD 30,000 – 39,999	7%	9%	6%
HKD 40,000 or above	10%	13%	8%
Education			
Primary or below	10%	5%↓	11%
Secondary school	51%	53%	50%
Post-secondary	12%	13%	12%
Tertiary or above	28%	29%	27%
Base:	*1,716*	*500*	*1216*
^Base:	*1249*	*432*	*817*

Cluster Analysis

Our approach to segmentation is a multi-step process that focuses on the identification and inclusion of psychographics statements, and the identification of the optimal cluster number through an iterative approach.

There are two main clustering methods, hierarchical and non-hierarchical, which both present strengths and weaknesses. In order to overcome the limits of both methods and provide robust and stable results, our approach is to use a combination of both:

Hierarchical Clustering (Ward's Method) identifies the basic segment structure for characterisation, whilst non-Hierarchical Clustering (K-means method) refines the initial clustering, improving similarity within clusters and differentiation between them.

The clusters that are formed are clear and distinct groups, ie differences between people within a group are minimised, whilst the differences between people in different groups are maximised.

Money Management Style – Case studies

Case studies for each of the five money management styles are provided based on the findings from the qualitative phase of the research. The names featured in the case studies are fictitious.

Money Maker: Matthew

Matthew is an engineer in his mid-30s and he got married recently. He bought his first 800 sq. ft. apartment through mortgage loan five years ago. He plans to buy a bigger apartment in near future, and he drives to work every day.

He has ambitious goals to move up the social ladder and aspires to run his own business before he reaches age 45. He knows the next few years will be his golden years as he knows what he wants to achieve, and he is determined to realise his dreams.

Matthew does not have a finance background but he is well aware of different investment options available to him. He receives advice from a couple of relationship managers from banks and independent financial advisers. Matthew budgets his daily expenses carefully and he maintains a discipline of saving and investment regardless of the market conditions. He studies different investment options among funds, stocks and foreign currencies, then invests in them selectively and regularly monitors their performance. He manages investment risks through diversification with a stop-loss strategy.

Overall, he is optimistic towards his long-term financial well-being, and is confident that he can reach his short, medium and long-term financial goals.

Conservative saver – Anna

Anna is a school teacher and she has worked in a local secondary school for over 20 years. She is in her late 40s and is a mother of two children aged 20 and 23. She plans to retire once both children become financially independent.

Anna grew up in a grassroot family, lived in a public housing estate and had a rather difficult childhood. She has learnt to be independent very early in her life and realised that saving money is the only way she could improve her quality of life. She felt grateful that she managed to complete her diploma with government subsidy and she started putting money aside since she started working. Her commitment to saving meant she had to cut back a lot on daily enjoyments like buying clothes or going out with friends. But her commitment will pay off soon - she is about to pay up for the property she mortgaged for and has a decent amount of cash in her bank accounts.

Anna knows little about investment and she knows she is not good at it. She is not tempted to rush into the market even during the bullish times and she does not take much advice from the advisers who want to do business with her. She believes the market presents more risks than she can comprehend. She only keeps her money in saving accounts, RMB accounts and a few blue chip stocks.

Overall Anna is confident that the lifestyle and saving habits she has religiously followed will keep her and her family safe. She is also confident that she can rely on her savings and retirement income to live a dignified retirement life five years from now.

Survivor – Choi Ping

Choi Ping is a full-time housewife in her early 50s. She is a mother of two children aged 16 and 19 who are studying in secondary school and college respectively. She lives in a sub-divided unit of no bigger than 300 sq. ft. with a meagre income that her husband Wai Ming brings home every month as well as the income she earns from her part-time work at a retail store. Choi Ping and her family receive no government financial subsidy.

Facing hefty expenses like tuition fee, rent and daily necessities, there is no money left at the end of each month. Choi Ping has to watch her family budget carefully to avoid a deficit. And yet there are times like Chinese New Year or beginning of the school year when she needs a helping hand from her sister who is better-off. She tries her best not to borrow money from finance companies. She makes her repayment to her sister by instalments as soon as she receives her pay cheque.

Choi Ping has no immediate hope to improve her family's financial condition. She is waiting for her children to graduate and enter the workforce so that her financial burden will start to ease. Her biggest hope today is for herself and her husband to stay healthy so that they can continue to work for an income that can keep their family together.

Big spender – Lee Keung

Keung has been working in a logistics company for nearly 20 years as a truck driver. Keung did not finish his secondary education and he has started working since age 20. He is single and lives with his parents.

Keung works on shifts and across the border, and therefore he does not have a big social circle in Hong Kong. When he finishes work, he will hang out with his peers at work and indulge in drinking, horse racing, football betting and poker. He sees these activities as consolation for his boredom. Depending on his luck, he may lose thousands each night he hangs out with his friends. Besides, he likes spending on electronic gadgets like mobile phones and tablets. He admitted to his peers that he needed to borrow money regularly to sustain his lifestyle. Much of his monthly income goes immediately to the banks and finance companies which he borrowed money from.

Despite his big spending habits and constant deficits, he has no immediate plans to change his financial status. He considers his situation to be 'under control' as long as he has a job and is able to repay his debts on time. It is only when he meets some of his old school mates that he finds himself falling behind.

Even though he is well aware of his problems, it is hard for him to change and adopt a better money management style. He wishes he could clean up his debt one day but has no idea where he could start.

Happy-go-lucky – Mandy

Mandy is a fresh graduate from a local university. She holds a bachelor degree in business administration and works as a marketing executive in a consumer product manufacturer in Hong Kong. She lives with her parents in a middle-class family. Her parents are still working and earn a decent income. She feels lucky that she has no financial responsibility for her family.

Mandy loves spending time with her friends. She also enjoys shopping online, and very often ends up buying more than what she needs. Every time she finds herself overspending, she will try to control her spending carefully, keeping track of what she has bought. However this proved to be not useful once she has some spare cash.

Mandy realises it is important for her to save up some money and start investing so that she can achieve bigger goals she has in mind, such as buying a flat, travelling to Europe and building a small online trading business with her friends. But the temptation to spend on today's enjoyments makes it difficult for her to start this habit.

Mandy believes when she grows older, her priorities in life will change and with these changes, she may start to become more persistent with her saving and investment habits. She understands that her parents will start shifting the family's financial responsibilities onto her sooner or later; but for now, it all seems too early for her to worry about.